# Unemployment Insurance Trust Fund Study Commission

*Status Update*

December 15, 2021

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## Summary

Since its inception as part of *An Act financing a program for improvements to the Unemployment Insurance Trust Fund and providing relief to employers and workers in the Commonwealth*¸ the Unemployment Insurance Trust Fund Commission has met nine times. During these meetings, the commission has heard from experts, members of the public, and fellow members of the commission on the current structure of the system and potential changes that could be made. Despite the fruitful conversations and valuable insights gained, the commission is not in a position to put forward a final report at this time. Importantly, more information is needed from the Department of Unemployment Assistance (DUA) on the state of the trust fund and future bonding before the commission can create recommendations of future policy action.

Over the course of the meetings, the members of the commission have built a foundation of knowledge through presentations and discussions. In the first meeting, the commission was provided with a detailed overview of the state of the Massachusetts unemployment insurance trust fund, which was meant to set the framework the needs facing the commonwealth. In subsequent meetings, the commission met with nationally respected experts who provided more general overviews of unemployment policy and how Massachusetts compared with other states in terms of trust fund solvency, tax structure, and benefit levels. During the next set of meetings, commission members took a deep dive into more complicated, but important, policy structures of the unemployment system, with presentations and discussions on topics such as the experience rating table and the taxable wage base. The commission also held a public hearing, where members heard testimony from seven individuals and received written testimony from 29 other stakeholders. These conversations have been beneficial, and we are hopeful that the foundation built throughout the meetings of the commission will guide the members toward agreement on a final report.

At this time, the state of the fund’s solvency is not clear. Normally, this information is conveyed in monthly trust fund reports from DUA. However, the last available report was released in June of this year. It would be difficult for the commission to make any recommendations without more knowledge of the administration’s planned bonding activities and how those actions would affect the trust fund without first knowing the current state of solvency.

The commission plans to continue to meet and discuss potential recommendations, with the hope that we will be able to file a report once our members feel that they are adequately informed and there is a general consensus on next steps.

Chair Josh Cutler | Chair Patricia Jehlen

## Enacting Legislation

Section 25, Chapter 9 of the Acts of 2021

SECTION 25. (a) There shall be a special commission established pursuant to section 2A of chapter 4 of the General Laws to study and develop recommendations on the solvency of the unemployment trust fund established in section 14F of chapter 151A of the General Laws. The commission shall consist of the following 21 members: the chairs of the joint committee on labor and workforce development, who shall serve as co-chairs; 1 member appointed by the minority leader of the house of representatives; 1 member appointed by the minority leader of the senate; the secretary of labor and workforce development or a designee; the director of unemployment assistance or a designee; 1 member appointed by the Massachusetts State Labor Council, AFL-CIO; 1 member appointed by the Associated Industries of Massachusetts, Inc.; 1 member appointed by the Massachusetts Legal Assistance Corporation representing unemployed workers; 1 member appointed by the Alliance for Business Leadership, Inc.; 1 member appointed by the National Federation of Independent Business Massachusetts; 1 member appointed by the Union of Minority Neighborhoods, Inc.; 1 member appointed by the Massachusetts Restaurant Association, Inc.; 1 member appointed by the Black Economic Council of Massachusetts, Inc.; 1 member appointed by the Greater Boston Chamber of Commerce; 1 member appointed by the Massachusetts Building Trades Council; 1 member appointed by the Massachusetts Competitive Partnership; 1 member appointed by Greater Boston Legal Services Employment Unit; 1 member appointed by the Massachusetts Taxpayers Foundation, Inc.; 1 member appointed by the Tufts University Jonathan M. Tisch College of Civic Life Center for State Policy Analysis; and 1 member appointed by the Retailers Association of Massachusetts, Inc.

(b) The commission shall study the long-term solvency of the unemployment trust fund, including, but not limited to: (i) evaluating whether changes are necessary to the experience rating system in order to promote solvency and reduce the tax impact on small businesses; (ii) examining increasing or indexing the taxable wage base under section 14 of said chapter 151A; (iii) examining the industry specific impacts of changes to the unemployment tax rate; (iv) reviewing solvency efforts in other state unemployment tax systems; and (v) determining what changes are necessary to benefit from federal tax credits and federal interest-free borrowing under the Federal Unemployment Tax Act, 26 U.S.C. §§ 3301-3305. The report by the commission shall include recommendations to promote the long-term solvency of the trust fund and meet solvency criteria required by the United States Department of Labor under the Federal Unemployment Tax Act, 26 U.S.C. § 3301-3305, and the Social Security Act, 42 U.S.C. §§ 1321-1324 and applicable regulations and guidance.

(c) The commission shall hold at least 1 public hearing and may hold additional hearings as necessary at which members of the public shall have an opportunity to speak.

(d) Not later than December 15, 2021, the commission shall file a report on its findings and recommendations with the clerks of the house of representatives and the senate, the joint committee on labor and workforce development and the house and senate committees on ways and means.

Commission Membership List

| | | |
|---|---|---|
| Sen. Patricia D. Jehlen<br>Co-Chair | Rep. Josh S. Cutler<br>Co-Chair | Brooke Thomson, Exec. VP Government Affairs, AIM |
| Carolyn Ryan, Senior VP Policy & Research, Greater Boston Chamber | Chris Carlozzi, State Director NFIB Massachusetts | Christopher R. Anderson, President, MA High Technology Council |
| Daïna Estime, Board Chair, Union of Minority Neighborhoods | Dan Wolf, CEO, Cape Air, Board member, Alliance for Business Leadership, Inc. | Eileen P. McAnneny, President, Mass Taxpayers Foundation |
| Evan Horowitz, Executive Director, Tufts Center for State Policy Analysis | Hannah Tanabe, Attorney, GBLS | John Drinkwater, Workforce Development Specialist, AFL-CIO |
| Jon B. Hurst, President, Retailers Association of Massachusetts | Karen Andreas, President, North Shore Chamber of Commerce | Kelsey Cintolo, VP for Research & Policy, Mass Competitive Partnership |
| Richard Jeffers, Director, Department of Unemployment Assistance | Richard Marlin, Legislative Director, Mass Building Trades Council | Rosalin Acosta, Secretary, Executive Office of Labor and Workforce Development |
| Samuel Gebru, Director of Policy and Public Affairs, Black Economic Council | Stephanie M. Herron Rice, Staff Attorney, Justice Center of Southeast Massachusetts | Steve Clark, VP Government Affairs, MA Restaurant Association |

Meeting Schedule

| | Date | Format | Location | Presenter | Topic |
|---|---|---|---|---|---|
| **1** | May 14, 2021 | Public meeting | Virtual | Rosalin Acosta, EOLWD | Overview of MA UI System |
| **2** | June 4, 2021 | Public meeting | Virtual | Zach Herman, NCSL; Ben Gitis, BPC; Stephen Wandner, NASI | State-by-State comparison of UI systems |
| **3** | June 25, 2021 | Public hearing | Virtual | Doug Holmes – UWC Strategies; Andrew Stettner – Century Foundation; Wayne Vroman – Urban Institute; Jared Walczek – Tax Foundation; Alexa Tapia – NELP; Kevin Hennessy – Brabo Payroll | Expert testimony from invited guests |
| **4** | July 16, 2021 | Public meeting | Virtual | Staff Presentations | Taxable wage base |
| **5** | July 22, 2021 | Public hearing | Virtual | Soliciting Testimony from Members of the Public | |
| **6** | Sep. 17, 2021 | Public meeting | Virtual | Staff Presentation; Rob Pavosevich, US Treasury – Retired; Michael Miller, US Treasury - Retired | Experience table |
| **7** | Oct. 8, 2021 | Public meeting | Virtual | Staff Presentation; Andrew Stettner – Century Foundation | Industry impacts |
| **8** | Nov. 12, 2021 | Public meeting | Virtual | Staff Presentation Rosalin Acosta, EOLWD Eileen McAnneny, Mass Taxpayers Foundation; Hannah Tanabe & Stephanie Herron Rice, Greater Boston Legal Services & Mass Legal Assistance Corporation; Evan Horowitz, Center for State Policy Analysis | Updates on status of unemployment trust fund. Discussion of three different proposals made by members of the Commission |
| **9** | Nov. 29, 2021 | Public meeting | Virtual | Staff Presentation; Evan Horowitz - Center for State Policy Analysis | Commission principles, next steps |

## Commission Decisions

During the 9th meeting (11/29) of the Unemployment Insurance Trust Fund Study Commission (the commission), the members took votes on the guiding principles of the commission report and next steps towards developing recommendations.

The members voted unanimously on the main goal of the commission, which will guide the report and recommendations that come from the body. The adopted principle states: "The goal of the trust fund is to achieve an average high-cost multiple (AHCM) of 1.0 over time." The AHCM is an actuarial measure of solvency utilized by the federal government to gauge adequacy of state trust fund reserves. An AHCM of 1.0 is the standard set by the federal government for trust fund solvency, which is interpreted as meaning that a state's unemployment trust fund has enough money in reserves to pay for at least one year of benefits.

Additionally, commission members unanimously adopted a plan for the chairs to bring a draft report before the commission in the coming weeks for adoption by the commission as a whole.

Appendix

# UNEMPLOYMENT INSURANCE TRUST FUND STUDY COMMISSION

## MINUTES

## FIRST MEETING OF COMMISSION MEMBERS

## FRIDAY, MAY 14, 2021

Time: 1:00 PM - 2:30 PM

Location: Microsoft Teams

Attendees:

Representative Josh Cutler, Co-Chair
Senator Patricia Jehlen, Co-Chair
Secretary Rosalin Acosta
Director Richard Jeffers
Evan Horowitz - Center for State Policy Analysis
Brooke Thompson – Associated Industries of Massachusetts
Karen Andreas - North Shore Chamber of Commerce
Eileen McAnneny – Massachusetts Taxpayers Foundation
Hannah Tanabe – Greater Boston Legal Services
Daïna Estime - Union of Minority Neighborhood
Carolyn Ryan - Greater Boston Chamber of Commerce
Christopher Anderson – Massachusetts High Technology Council
Kelsey Cintolo - Massachusetts Competitive Partnership
Steve Clark - Massachusetts Restaurant Association
Chris Carlozzi – National Federation of Independent Business
Stephanie Herron Rice - Massachusetts Legal Assistance Corporation
Sam Gebru – Black Economic Council of Massachusetts
Jon Hurst – Retailers Association of Massachusetts
Dan Wolf – Cape Air
John Drinkwater – Massachusetts AFL-CIO
Rich Marlin - Massachusetts Building Trades Council

Short remarks from the co-chairs

All members gave brief introductions

Presentation from the Department of Unemployment Assistance on the current status and projection of unemployment claims and the solvency projection for the unemployment trust fund - Secretary Rosalin Acosta (PowerPoint)

- The Unemployment System has paid out $22 billion in unemployment benefits to about 1 million claimants. $5.9 billion in benefit obligations came from UI trust, remaining came from Federal programs such as PUA, PEUC.
- As of March 31, the preliminary Mass unemployment trust fund ending balance was -$2.927 billion. Massachusetts has borrowed 2.2 billion in 2020 and an additional $10.8 million in Jan 2021.
- Nearly 493,000 people are currently receiving unemployment assistance, with about 88,000 receiving regular State UI. The remaining recipients are on federally funded programs. 3,171 are receiving extended benefits, 221,903 are receiving PEUC, and 179,434 receiving PUA

Following the presentation, there was a brief question and answer period.

Brief discussion of schedule for next meetings and public hearings. Considering suggestion of holding a public hearing some time other than the middle of the day, to allow testimony from a wider array of participants. Next hearing will be June 4th at 1pm, where there will be a discussion of other state UI systems.

Meeting adjourned.

# UNEMPLOYMENT INSURANCE TRUST FUND STUDY COMMISSION

**MINUTES**

**SECOND MEETING OF COMMISSION MEMBERS**

**FRIDAY, JUNE 4, 2021**

Time: 1:00 PM - 2:30 PM
Location: Microsoft Teams

Attendees:
Representative Josh Cutler, Co-Chair
Senator Patricia Jehlen, Co-Chair
Brooke Thompson
Jon Hurst
Dan Wolf
Carolyn Ryan
John Drinkwater
Doug Howgate (For Eileen McAnneny)
Rosalin Acosta
Rick Jeffers
Evan Horowitz
Daïna Estime
Karen Andreas
Matt Blackbourn (For Chris Anderson)
Chris Carlozzi
Kelsey Cintolo
Rich Marlin
Stephanie Herron Rice
Hannah Tanabe
Sam Gebru
Steve Clark

Guests:
Zach Herman (National Conference on State Legislatures)
Ben Gitis (Bipartisan policy Center)
Stephen Wandner (National Association of Social Insurance)

Opening:
Chair Jehlen took attendance by roll call

Presentation 1: Zach Herman

- An overview of how states think about managing and overseeing unemployment programs
- 19 States and the Virgin Islands currently have loans from the US Department of Labor to support their UI system
- UI State Tax Systems
    - Federal Taxes
        - FUTA tax of 6% on wages up to $7,000 per year. Credits of up to 5.4% for employers that pay state UI contributions on a timely basis
    - State taxes
        - Enables employers to obtain credits against federal tax
    - Employee Contributions
        - Three states (Alaska, New Jersey, Pennsylvania) deduct contributions from employees, as well as employers
- Taxable Wage Base
    - Almost all states have a higher taxable wage base than the Federal Government's $7,000
    - Multiple states have indexed taxable wage bases, while others have wage bases that are adjusted based on trust fund balance
- Experience Rating
    - Most states use reserve ratio system, second most common is Benefit ratio
    - Experience ratings meant to encourage employers to stabilize employment

Presentation was followed by a short question and answer period

Presentation 2: Ben Gitis and Stephen Wandner
New Jersey and Washington: Alternative Financing Methods to Support Trust Fund Solvency

Rate Schedule

- Massachusetts has higher payroll tax rates on employers, including higher top rate and higher rate for lowest experience rating
    - Washington also has a 0% rate on employers with lowest experience ratings

Taxable Wage Base

- Mass taxable wage base is $15,000, NJ is $36,200 and WA is $56,500
- WA indexed TWB to wages, NJ indexed to inflation

Additional fund sources

- New Jersey includes an employee Payroll Tax
- Washington applies a Social Cost Factor, which is used to pay for unemployment benefits not charged to an employer account

Presentation was followed by a short question and answer period

Senator Jehlen asked for a motion to take a roll call on the minutes from the previous meeting
Rich Marlin Motioned
Karen Andreas second

Chair Josh Cutler - Y

Chair Patricia Jehlen - Y
Brooke Thompson - Y
Jon Hurst - Y
Dan Wolf - Y
Carolyn Ryan - Y
John Drinkwater - Y
Rosalin Acosta - Y
Rick Jeffers - Y
Evan Horowitz - Y
Daïna Estime - Y
Karen Andreas - Y
Chris Carlozzi - Y
Kelsey Cintolo - Y
Rich Marlin - Y
Stephanie Herron Rice - Y
Hannah Tanabe - Y
Sam Gebru -
Steve Clark - Y

Next meeting will June 25th at 1PM; commissioners will be able to invite speakers. Please email Emily Reynolds if you have any suggestions by June 9th.

We will be holding our public hearing on Thursday July 22nd, at 5PM. Any member of the public can testify. With the potential expiration of the virtual meeting rules, we have not yet determined whether these hearings will be in person or virtual. We will update you when we have made that determination.

# UNEMPLOYMENT INSURANCE TRUST FUND STUDY COMMISSION

**MINUTES**

**THIRD MEETING OF COMMISSION MEMBERS**

**FRIDAY, JUNE 25, 2021**

Time: 1:00PM – 2:30PM

Location: Microsoft Teams

Attendees:

Representative Josh Cutler, Co-Chair
Senator Patricia Jehlen, Co-Chair
Secretary Rosalin Acosta
Director Richard Jeffers
Evan Horowitz
Brooke Thompson
Karen Andreas
Eileen McAnneny
Hannah Tanabe
Daïna Estime
Carolyn Ryan
Christopher Anderson
Kelsey Cintolo
Steve Clark
Chris Carlozzi
Stephanie Herron Rice
Sam Gebru
Jon Hurst
Dan Wolf
John Drinkwater
Rich Marlin

Presenters:

Doug Holmes - President UWC Strategies
Andrew Stettner - Century Foundation
Wayne Vroman - Urban Institute
Jared Walczek - Tax Foundation
Alexa Tapia – National Employment Law Project
Kevin Hennessy - Brabo Payroll

Josh Cutler: This meeting is being recorded and will be archived on the Massachusetts Legislature's web site. This is also streaming live on Facebook.

Approval of minutes and attendance - Roll call vote, unanimous

Our next hearing will be 7/16, followed by a public meeting on Thursday July 22nd at 5 pm.

Presentations:

Andrew Stettner - Senior Fellow at the Century Foundation

- Unemployment contributions are an investment in a skilled and talented workforce
- In Massachusetts, UI contributions were equal to 72 cents for every $100 in payrolls paid
- Massachusetts has failed to meet Federal measures of solvency of a trust fund holding enough to pay out one year of recession benefits (AHCM)
- Massachusetts ranks 34th in country for taxable wage base as a percentage of average annual wage
- Taxable wage base indexing allows state to raise marginally more funds each year, helps states recover benefits paid during recovery

Q&A period

Presenter: Doug Holmes – President of UWC Strategies

- Recommendations
    - Secure funding through Federal government to restore trust fund to funding level prior to Jan 27th, 2020 level and credit those funds to employer accounts
    - Closely monitor status of special fund and UI trust fund, have option to pay off bonds early if possible.
- On tax side
    - Makes sense to cap solvency tax and review charging of benefits to solvency account
    - Taxable wage base should be reviewed in tandem with experience rating table to understand possible costs.
    - Consider reducing time before employers eligible for experience rating, many states have 1 year.
- Benefits
    - Require that beneficiaries have weekly, independent certification of work search instead of self-certification
    - Eliminate dependency allowance, freeze max weekly benefit amount, reduce amount of weeks available

Q&A period

Presenter: Wayne Vroman – Urban Institute

- Four options - States can raise taxes/reduce benefits, borrow money via Title XII, borrow money in municipal bonds, and deposit funds from Cares/ARPA
- Massachusetts taxable wage proportion has been shrinking since 2015.
- States can follow daily borrowing-repaying strategy to minimize average indebtedness through process called sweeping

Q&A period

Presenter: Jared Walczak – Tax Foundation

- A lot of states have disconnect between unemployment taxes and their benefits
- Massachusetts has the 6th highest effective tax rate on businesses, paying for the highest benefits in country
- Massachusetts has a lower barrier for eligibility than most states and charges employers for in a greater number of instances than many other states
- Inflation indexing of taxable wage base can make sense, but state needs to think about rates when doing it

Q&A period

Presenter: Alex Tapia - National Employment Law Project

- Current UI systems incentivize businesses to try to prevent individuals from receiving UI
- Opportunity for MA to increase taxable wage base and index to inflation
    - Could replicate states like Washington ($52,000) or RI ($24-25 thousand), with flexible wage bases that apply different wage bases depending on wages paid by employers
    - Alaska - changes to payroll are factored into charges, whether or not individuals are able to access UI
- Penalty on employers keeping at highest rate of unemployment experience rate

Q&A Period

Kevin Hennessy - Brabo Payroll

- Disproportionate impact of unemployment contributions on employers that higher mostly nonwhite workers and businesses in underserved communities

- Hardest hit industries by UI cost - Hospitality, child care, retail, transportation, security, health care. Taxable wage bases require those firms to face costs that are a higher percentage of their payroll on UI
- Taxable wage base should be dynamic and indexed to either state minimum wage or social security limit
- States should consider adding employee contribution

Q&A Period

Meeting adjourned.

# <u>UNEMPLOYMENT INSURANCE TRUST FUND STUDY COMMISSION</u>

**MINUTES**

**FOURTH MEETING OF COMMISSION MEMBERS**

**FRIDAY, JULY 16, 2021**

**Time:** 1:00PM – 2:30 PM

**Location:** Microsoft Teams

**Members present:**
Representative Josh Cutler, Co-Chair
Senator Patricia Jehlen, Co-Chair
Jon Hurst
Eileen McAnneny
Richard Jeffers
Evan Horowitz
Daïna Estime
John Drinkwater
Rich Marlin
Secretary Rosalin Acosta
Vasundhra Sangar (in lieu of Brooke Thompson)
Hannah Tanabe
Christopher Carlozzi
Stephanie Herron Rice
Chris Anderson
Kelsey Cintolo

**Staff members present:**
Emily Reynolds
Rob Cohen
Matt Hartman
Cole Angley
Lilla Adams

Senator Jehlen called the meeting to order at 1:00PM.

All the members present voted in favor of adopting the previous meeting minutes.

Rep. Cutler introduced Matt Hartman, Emily Reynolds, and Rob Cohen to begin a presentation on the taxable wage base.

Rob Cohen presented on a 50-state overview of the taxable wage base.

- Massachusetts does not have the highest or the lowest TWB, standing at $15,000. Slightly on the higher side of the 50-State picture
- 14.4% of MA total wages are included in this TWB. This is 25th out of 50 states,
  - And the MA TWB is only 19.4% of the MA avg weekly wage, which is lower than 30 other states.
- 18 states use some form of indexing

Matt Hartman presented on the history of the Massachusetts taxable wage base.

- The MA TWB has only been changed 3 times in the past 30 years
  - Until 1992, the TWB had been $7,000, which had been set by Congress in 1983 and linked to Massachusetts in 1977.
- The reasons for changes had been based in trust fund insolvency by tens of millions of dollars. In 2021, the trust fund is insolvent by billions of dollars

Emily Reynolds presented a number of graphs on how the taxable wage base affects different industries in Massachusetts.

Question & Answer period

Further discussion around four specific questions to the commissioners

1. What modes should we use to adjust the TWB?
2. How should the initial TWB be set initially?
3. Are there tools from other states that we could adopt?
4. What questions should we explore pertaining to industry-specific changes to the TWB?

After a short discussion, the meeting adjourned at 2:31PM.

# UNEMPLOYMENT INSURANCE TRUST FUND STUDY COMMISSION

**MINUTES**

**PUBLIC HEARING**

**THURSDAY, JULY 22, 2021**

Time: 5:00PM – 6:30PM

Location: Zoom

Attendees:
Senator Patricia Jehlen, Co-Chair
Representative Josh Cutler, Co-Chair
Evan Horowitz
Hannah Tanabe
Jon Hurst
Eileen McAnneny
Dan Wolf
Rosalin Acosta
Chris Anderson
Daïna Estime
Stephanie Herron Rice
Matt Blackbourn
Chris Carlozzi
Sam Gebru
Kelsey Cintolo

Members of the Public

Evan Murphy - UTCA

- Springfield based national unemployment TPA
- Support allocation of ARPA funds to reduce insolvency, view Covid-19 recovery assessment as potentially disastrous
- Wants weekly benefit amount freeze to be considered

Gary Rucinski

- Massachusetts coordinator for Citizen’s climate lobby
- Argued that strengthening the state’s unemployment program necessary for transition of workers who lose jobs in fossil fuel industry

Tara Nickerson-Lopes

- Woburn resident, years of experience working in the restaurant industry
- Argued that it is wrong that undocumented workers are paying into the UI system without being able to receive unemployment assistance

Molly Kivi

- Creator of unemployment tax and benefit reform campaign
- Argued for the elimination of the experience rating, implement sliding scale benefit system, get rid of taxable wage base cap, and that the legislature should not provide ARPA/CARES money to the Trust fund to reduce required employer contributions

Erin Chow

- Organizer with the Chinese Progressive Association
- Discussed how the loss of jobs in restaurant and gig economy had real hit on Chinese immigrant working class community
- Supports increasing and indexing taxable wage base will improve finances of unemployment insurance trust fund

Lisette Le

- Executive Director at VietAid
- Discussed difficulties for 1099 nail salon workers who struggled to access unemployment insurance, argued that many manicurists are misclassified as independent contractors

Mike Firestone

- Coalition to protect worker's rights
- Argued that addressing misclassification in unemployment context is critical to ensuring a solvent trust fund and access to benefits

# UNEMPLOYMENT INSURANCE TRUST FUND STUDY COMMISSION

**MINUTES**

**SIXTH MEETING OF COMMISSION MEMBERS**

**FRIDAY, SEPTEMBER 17, 2021**

Time: 1:00PM – 3:00 PM

Location: Microsoft Teams

**Participants**
Representative Josh Cutler, Co-Chair
Senator Patricia Jehlen, Co-Chair
Secretary Rosalin Acosta
Richard Jeffers
Bob Luz (for Steve Clark)
Chris Carlozzi
Carolyn Ryan
Chris Anderson
Evan Horowitz
Brooke Thompson
Hannah Tanabe
Stephanie Herron Rice
Daïna Estime
Kelsey Cintolo
Jon Hurst
Dan Wolf
Karen Andreas
Rich Marlin
John Drinkwater
Doug Howgate (for Eileen McAnneny)

**Staff members present:**
Emily Reynolds
Rob Cohen
Matt Hartman
Cole Angley
Lilla Adams

Chair Cutler gaveled in at 1:03PM, took attendance by roll call.

Staff presented on the experience rating system in Massachusetts.

- Rob Cohen gave an overview of the experience rating system and discussed the reserve ratio and benefit ratio systems.
- Matt Hartman detailed some of the state-level updates and freezes in the experience ratings.
- Emily Reynolds presented on the incentives and impacts of experience rating systems, including comparisons between Massachusetts and similar states.

Question and Answer Period

Expert Presentations:
Rob Pavosevich and Michael Miller, both formerly of the United States Department of Labor

Rob Pavosevich presented on the history, context, and details on the Massachusetts UI rating system

- Reserve ratio does not fit well with a pooled system
- Trust fund no longer building up enough reserves counter-cyclically
- Experience rating system outdated and does not provide incentives for employment stability
- Tax rate does not raise above benefit level during recessions, so not very forward-funding
- Benefit ratio method is more effective for a pooled system.

Mike Miller presented on some alternative systems to consider.

- Discussed array systems for deciding how to distribute tax rates.

- Spoke about a number of different experience rating systems:
- Benefit-Ratio
- Employment Variation Methodology
- Payroll variation (Similar to Alaska system)
- Hours-worked variation

Brief question and answer period.

Meeting adjourned.

# UNEMPLOYMENT INSURANCE TRUST FUND STUDY COMMISSION

**MINUTES**

**SEVENTH MEETING OF COMMISSION MEMBERS**

**FRIDAY, OCTOBER 8, 2021**

**TIME:** 1:00PM - 3:00PM

**LOCATION**: Microsoft Teams

**MEMBERS PRESENT**: Senator Pat Jehlen (Co-Chair), Representative Josh Cutler (Co-Chair), Secretary Rosalin Acosta, Director Rick Jeffers, Chris Carlozzi, Brooke Thompson, Jon Hurst, Daïna Estime, Stephanie Herron Rice, John Drinkwater, Evan Horowitz, Karen Andreas, Kelsey Cintolo, Sam Gebru, Steve Clark, Hannah Tanabe, Eileen McAnneny, Rich Marlin, Carolyn Ryan

**ALSO PRESENT:** Andrew Stettner (Century Foundation)

I. **Welcome Remarks**. Brief remarks from Senator Pat Jehlen

II. **Roll Call and Meeting Minutes**. Chair Jehlen took roll. Minutes from the July 16th, July 22nd, and September 17th meetings were approved as written via a voice vote.

III. **Presentation from Andrew Stettner of the Century Foundation.** Senator Jehlen introduced Andrew Stettner to provide an overview of how Massachusetts' unemployment benefits compare to other state programs. Mr. Stettner discussed the formulas used for indexing of maximum benefits. The maximum benefit for unemployed workers in Massachusetts is adjusted each year to be equal to 57.5% of the state Average Weekly Wage, which is less than the national average of 58% among the 33 states that index their maximum weekly benefit. Mr. Stettner also noted that the average weekly wage increased sharply over the last year due to composition of the Massachusetts economy during the pandemic, where higher wage jobs recovered more quickly than lower wage jobs. Mr. Stettner also discussed workers who are left out of the unemployment benefit system, including misclassified workers, gig workers, freelancers, and workers paid in cash. After Mr. Stettner spoke, there was a brief question and answer period.

IV. **Discussion on Potential Needs for Additional Data.** Members of the commission discussed what modeling of effects they may want to see before considering recommending changes to the Massachusetts unemployment system. Sen Jehlen encouraged members of the commission to email staff with their requests for modeling, which the staff would then provide to the Department of Unemployment Assistance.

**V. Adjournment**. Meeting adjourned at 3:04 pm.

# UNEMPLOYMENT INSURANCE TRUST FUND STUDY COMMISSION

**MINUTES**

**EIGHTH MEETING OF COMMISSION MEMBERS**

**FRIDAY, NOVEMBER 12, 2021**

**TIME:** 1:00PM - 3:00PM

**MEMBERS PRESENT**: Senator Pat Jehlen (Co-Chair), Representative Josh Cutler (Co-Chair), Secretary Rosalin Acosta, Director Rick Jeffers, Chris Carlozzi, Brooke Thompson, Jon Hurst, Daïna Estime, Stephanie Herron Rice, John Drinkwater, Evan Horowitz, Karen Andreas, Kelsey Cintolo, Sam Gebru, Steve Clark, Hannah Tanabe, Eileen McAnneny, Rich Marlin, Carolyn Ryan

**ALSO PRESENT:** Kaithlyn Connors from the Office of Administration and Finance, Matt Blackbourn

I. **Welcome Remarks**. Brief remarks from Representative Josh Cutler

II. **Roll Call and Meeting Minutes**. Chair Cutler took roll. Minutes from the October 8th meeting were approved as written via a voice vote.

III. **Statement by Secretary Rosalin Acosta.** The Secretary noted that the trust fund has paid out over $24 billion in benefits during the past year and a half. The state has borrowed $2.3 billion in advances from the federal government. While a Treasury report shows that the trust fund's current balance is $2.9 billion, Secretary Acosta says that this number is fluid and does not factor in the debts owed due to borrowing.

IV. **Staff Presentation.** Members of the commission staff discussed their research in a number of topic areas. Staff provided a comparison of cost per employee information, data on employers with positive experience rates cross-subsidizing negative balance employers, information on Connecticut's UI reform law, and calculations around the state average weekly wage.

V. **Commissioner Presentations.** Commission members spoke on proposals made to the commission. Eileen McAnneny of the Massachusetts Taxpayers Foundation discussed a proposal made by a coalition of commission members representing employer organizations, which calls for a clear target on the size of the revenue gap the commission is trying to solve for, as well as pairing wage base changes with adjustments to UI eligibility and benefits. Hannah Tanabe and Stephanie Herron Rice spoke on a memo written by a coalition of commission members representing worker interests. Their memo recommended increasing and indexing the taxable wage base, making experience table changes corresponding with wage base increases, and limiting legislative freezes of the rate schedule. Commissioner Evan Horowitz spoke on a memo written representing his own recommendations. He recommended an increase of the taxable wage base and indexing the base to a measure of inflation.

VI. **Future Meetings.** The Commission members and chairs discussed the possibility of either adding meetings or extending the duration of the commission. No final decision was made on the matter.

VII. **Adjournment**. Meeting adjourned at 2:57 pm.